

HOUSE RESEARCH

Bill Summary

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Overview

This bill contains a number of transportation finance proposals and changes, including:

- Increasing the wheelage tax from \$5 to \$20;
- Amending the motor vehicle registration tax to eliminate the caps and accelerate vehicle the depreciation schedule;
- Allocating motor vehicle sales tax revenue so that after the constitutionally mandated dedication to transportation, the allocation will be 60 percent to highways and 40 percent to transit (split 35 percent to the metropolitan area and 5 percent to Greater Minnesota);
- Raising the gas tax by ten cents and indexing it to inflation;
- Amending the county state-aid highway fund allocation formula;
- Allocating motor vehicle lease tax revenue to transportation;
- Appropriating \$171.5 million in general obligation bonds for transportation purposes;

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- Authorizing counties to impose a local transportation sales tax of 0.5 percent and a motor vehicle sales excise tax of \$20;
- Creating a road user fee task force to study alternative highway tax systems;
- Transferring and appropriating money from the general fund; and
- Appropriating \$1.1 billion in trunk highway bonds.

Article 1: County Wheelage Tax

Overview

This article amends requirements governing the wheelage tax. Changes include increasing the amount from \$5 to \$20 and allowing all counties to impose it.

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- 1 County wheelage tax.** Modifies the wheelage tax to: raise the amount from \$5 to \$20; apply to all counties that chose to impose it (not just the metropolitan area); deposit proceeds into a county road and bridge fund; eliminate the requirement that the wheelage tax be offset by a reduction in property taxes; and, remove obsolete language and make technical changes.
- 2 Tax.** Clarifies that counties may impose a wheelage tax.
- 3 Imposition.** Clarifies that counties may impose a wheelage tax.

Article 2: Vehicle Registration Tax

Overview

This article restructures the motor vehicle registration tax, eliminating the caps and accelerating the depreciation schedule.

- 4 Passenger automobile; hearse.** Restructures the motor vehicle registration tax, as follows:
 - Eliminates the caps of \$189 in the first year and \$99 in the second and subsequent years of the vehicle's life;
 - Amends the vehicle depreciation schedule so that is a steeper reduction per year in the base value upon which the tax is calculated; and
 - Limits the registration tax so that it is not increased for previously registered vehicles.
- 5 Exceptions.** Clarifies the definitions of "initial registration" and "renewal periods."

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Article 3: Motor Vehicle Sales Tax

Overview

This article allocates motor vehicle sales tax revenue, so that after the constitutionally mandated phase-in, the allocation is 60 percent to highways and 40 percent to transit (split 35 percent to the metropolitan area and 5 percent to Greater Minnesota).

- 1 **Transit fund.** Creates a transit fund, and makes the Greater Minnesota transit fund as well as the metropolitan area transit fund into accounts within the transit fund.
- 2 **Establishment; purpose.** Makes conforming changes.
- 3 **Deposit of revenues.** Modifies the allocation of motor vehicle sales tax (MVST) revenues so that starting in fiscal year 2012, after a phase-in, the revenue is distributed as follows:
 - 60 percent goes to the highway user tax distribution fund;
 - 40 percent goes into the transit assistance fund, which is further allocated 35 percent in the Greater Minnesota transit account and 5 percent in the metropolitan area transit account.

The phase-in to this allocation begins July 1, 2007.

Article 4: Fuel Tax

Overview

This article increases the gas tax by ten cents, along with proportional increases in other types of motor fuel, and indexes it to inflation.

- 1 **Rate of tax.** Raises the gas tax by \$0.10, with proportional increases for other types of motor fuel.
- 2 **Rate of tax.** Raises the tax on special fuels proportional to the gas tax increase.
- 3 **Annual adjustment.** Indexes the motor fuels taxes to inflation, starting in April of 2009.

Article 5: County State-Aid Fund Distribution

Overview

This article amends the county state-aid highway (CSAH) fund apportionment formula.

- 1 **Apportionment sum and excess sum.** Restructures the subdivision so that it does not include the county-state aid highway (CSAH) apportionment formula to counties, and instead defines terms used in an amended formula.

Defines the "excess sum" as the amount in the CSAH fund that comes from 1) new revenue

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from the gas tax above 20 cents per gallon, 2) new revenue from registration tax above the inflation-adjusted amount collected in fiscal year 2007, and 3) new revenue from motor vehicle sales tax above the amount collected in fiscal year 2007.

Defines the "apportionment sum" as the amount available in the CSAH fund (after subtractions for certain accounts and costs) minus the excess sum.

- 2 **Apportionment sum.** Establishes the formula for distribution of the apportionment sum. This is the same as current CSAH apportionment formula, except that it eliminates the minimum money needs apportionment to certain counties based on funding levels from 1958.
- 3 **Excess sum.** Establishes the formula for distribution of the excess sum, as follows:
 - 40 percent is based on each county's proportion of motor vehicle registration; and
 - **60 percent is based on each county's proportion of construction needs.**
- 4 **Construction apportionment.** Adjusts the CSAH allocation formula so that counties receive minimum amounts based on past allocations and construction needs.

Article 6: Sales Tax on Motor Vehicle Leases

Overview

This article allocates motor vehicle lease tax revenue to transportation.

- 1 **Deposit of revenues.** Allocates revenue from the sales tax on motor vehicle leases in the same manner as the revenue from the motor vehicle sales tax. Currently, this revenue is deposited in the general fund.
- 2 **Reporting of tax proceeds.** Requires that companies who lease motor vehicles must report motor vehicle lease tax separately from other sales taxes.
- 3 **Deposit of revenues.** Makes conforming changes for the motor vehicle lease revenue distribution.
- 4 **Effective Date.** Makes the article effective July 1, 2007.

Article 7: Capital Improvement Appropriations

Overview

This article authorizes and appropriates \$171.5 million in general obligation bonds for transportation purposes.

- 1 **Capital improvement appropriations.** Establishes that appropriations are from the bond proceeds fund, unless another is named, for the agencies and purposes specified.
- 2 **Transportation.** Appropriates \$115.7 million in general obligation bonds for MnDOT.

Subd. 1. To the commissioner of transportation. \$115.7 million in total bonds, including \$10 million for the Midwest Regional Rail Initiative.

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- Subd. 2. Local bridge replacement and rehabilitation.** \$50 million for local bridge replacement and rehabilitation.
- Subd. 3. Local road improvement program.** \$50 million for local roads.
- Subd. 4. Port development assistance program.** \$2 million for port development assistance.
- Subd. 5. Greater Minnesota transit.** \$10.5 million for transit in Greater Minnesota.
- 3 Metropolitan Council.** Appropriates \$54 million in general obligation bonds for the Met Council.
- Subd. 1. To the Metropolitan Council.** \$54 million in total bonds, including \$2 million for a feasibility study of light rail transit along Interstate 35W.
- Subd. 2. Central corridor transitway.** \$40 million for studies, design, and preliminary engineering.
- Subd. 3. Union Depot.** \$12 million for Union Depot renovations.
- 4 Bond sale expenses.** Appropriates \$1.765 million to the Department of Finance for bond sale expenses.
- 5 Bond sale authorizations.** Authorizes the sale of the general obligation bonds.
- 6 Obligations.** Provides the Met Council with \$66 in bonding authority.

Article 8: Local Transportation Sales Tax

Overview

This article authorizes counties in the metropolitan area as well as in Greater Minnesota to impose a local transportation sales tax of 0.5 percent and a motor vehicle sales excise tax of \$20.

- 1 Highway spending in metropolitan transportation area.** Prohibits trunk highway expenditures in the metropolitan area from varying by more than two percent of the average expenditure over the previous five years. The revenues counted in the average do not include any new revenue generated by the local transportation sales and excise tax.
- 2 Local transportation sales and excise tax.** Allows counties in the metropolitan area as well as in Greater Minnesota to impose a local transportation sales and excise tax.
- Subd. 1. Definitions.** Defines terms.
- Subd. 2. Authorization; rates.** Authorizes a joint powers board in the metropolitan area, comprised of those counties within the metropolitan area and adjacent counties that choose to join, to impose a 0.5 percent sales tax and a \$20 excise tax on motor vehicle sales.
- Subd. 3. Deposit of revenues.** Appropriates tax revenues to the joint powers board that must be established in order to impose the tax. Specifies requirements for allocation, so that 50 percent is used for transit and 50 percent is for highways and

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local roads.

Subd. 4. Tax in counties outside metropolitan transportation area. Authorizes counties outside of the metropolitan area to impose a 0.5 percent sales tax and \$20 excise tax for specific transportation projects, subject to voter approval.

Subd. 5. Administration, collection, enforcement. Applies local sales tax administration requirements to the local transportation sales and excise tax.

3 Report. Requires MnDOT and the Met Council to report annually to the Legislature on the revenue and expenditures from the local transportation sales and excise tax.

4 Effective date. Makes the tax effective for sales starting on January 1, 2008.

Article 9: Road User Task Force

Overview

This article creates a road user fee task force to study alternative highway tax systems.

1 Road user task force. Establishes the road user fee task force, identifies its composition, provides for duties, and requires a report.

Subd. 1. Creation and purpose. Establishes the task force.

Subd. 2. Composition. Identifies representatives to serve on the task force and establishes rules for compensation and removal of members. Directs MnDOT to provide staffing support.

Subd. 3. Duties. Charges the task force with studying alternative highway tax systems, including associated technologies, revenue potential, public acceptance, costs, tax equity, and compatibility with other states.

Subd. 4. Pilot project. Directs MnDOT to recommend to the task force a pilot mileage-base taxation system.

Subd. 5. Report. Requires that the task force report to the Legislature by January 15, 2009.

Article 10: Appropriations

Overview

This article makes transfers from the general fund and appropriates money for transit.

1 Metropolitan council bus transit. Appropriates \$138.5 million in fiscal year 2008 and \$83.5 million in fiscal year 2009 from the general fund to the Met Council for bus system operations.

2 Greater Minnesota transit. Appropriates \$27.5 million in fiscal year 2008 and \$20.5 million in fiscal year 2009 from the general fund to MnDOT for transit in Greater Minnesota.

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- 3** **Local road improvement.** Transfers \$10 million from the general fund to the local road improvement fund.
- 4** **Highway user.** Appropriates \$328 million to the Department of Finance for transfer to the highway user tax distribution fund.

Article 11: Trunk Highway Bonding

Overview

This article authorizes and appropriates \$1.1 billion in trunk highway bonds.

- 1** **Transportation appropriations.** Appropriates \$100 million per year in fiscal years 2008 through 2017 to MnDOT from trunk highway bonds.
- 2** **Finance appropriation.** Appropriates \$1 million per year in fiscal years 2008 through 2017 to MnDOT for bond sales expenses.
- 3** **Bond sale authorization.** Authorizes the sale of trunk highway bonds.